

DOCKET SECTION
BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
DEC 30 3 36 PM '97
MH-T-1
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

)
)
)
Docket No. R97-1

DIRECT TESTIMONY
OF
MICHAEL K. HEHIR
ON BEHALF OF
THE MCGRAW-HILL COMPANIES, INC.

Communications with respect to
this document may be sent to:

Timothy W. Bergin
Squire, Sanders & Dempsey L.L.P.
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, D.C. 20044
(202) 626-6600

December 30, 1997

Counsel for The McGraw-Hill Companies, Inc.

TABLE OF CONTENTS

	PAGE
I. Autobiographical Sketch	1
II. Purpose Of Testimony	3
III. McGraw-Hill's Interest In This Proceeding	4
IV. The Rates Proposed For Periodicals Regular Mail Are The Maximum Appropriate Rates Under The Circumstances.	5
A. The Costs Attributed To Periodicals Regular Mail Appear To Be Seriously Overstated.	5
1. Mail Processing Labor Costs	5
2. Purchased Highway Transportation Costs	8
B. Deficiencies In The Service Provided For Periodicals Mail -- Which Are A Contributing Factor In The Growth Of Electronic Delivery -- Should Further Constrain Postal Rates For Periodicals.	9
1. Service Has Recently Deteriorated To Unacceptable Levels.	9
2. The Unacceptable Level Of Mail Service For Periodicals Is A Factor Contributing To The Growth Of Electronic Delivery Of Periodicals.	11
C. The Proposed Rate Increases For Periodicals Mail Will Have A Significant Impact -- Particularly Upon High-Editorial Publications.	13
V. CONCLUSION	14

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 1997

)
) Docket No. R97-1
)

**DIRECT TESTIMONY OF MICHAEL K. HEHIR
ON BEHALF OF THE MCGRAW-HILL COMPANIES, INC.**

I. Autobiographical Sketch

My name is Michael K. Hehir. I am President of the Information Services Group of The McGraw-Hill Companies, Inc. ("McGraw-Hill"). In that position, which I have held since February 1995, I presently manage the following business units of McGraw-Hill:

- Business Week Group, which publishes *Business Week*, our largest circulation magazine, as well as *Business Week International* and *Business Week Online*;
- Publications Services Group, which publishes a number of magazines in the fields of healthcare (*e.g.*, *Postgraduate Medicine*, *Hospital Practice*, *The Physician and Sportsmedicine*), aviation (*e.g.*, *Aviation Week & Space Technology*, *Business and Commercial Aviation*), and other science and technology fields (*e.g.*, *Chemical Engineering*, *Modern Plastics*, *Power*, *Electrical World*);
- Information Technology and Communications Group, which publishes *BYTE*, *Data Communications*, *LAN Times*, and *tele.com*; and
- Tower Group International, which provides logistics services and information (including transportation, customs brokerage, etc.) to support global distribution strategies.

1 I am responsible for more than twenty publications that are mailed at Periodicals Regular rates.
2 These publications are quite diverse in terms of their mailing characteristics (*i.e.*, circulation,
3 frequency, weight, zone distribution, presort levels, advertising percentage, etc.). They
4 comprise most of the core publications among the more than 170 diverse periodicals that
5 McGraw-Hill mails at Periodicals Regular rates.

6 While I am not an expert on postal matters, I am well aware that our business can be
7 significantly impacted by increases in Periodicals rates -- and by late and inconsistent delivery
8 of Periodicals mail. I previously testified before this Commission in the MC95-1 reclassification
9 case. I presently serve on the Postal Reform Task Force of the Magazine Publishers of America
10 ("MPA"). McGraw-Hill is also a member of the American Business Press ("ABP"), and has
11 representatives on the boards and key committees of both trade associations.

12 I joined McGraw-Hill in 1975 as director of new product development for publications.
13 I thereafter assumed increasing responsibility in various financial posts. In 1986, I was
14 appointed Vice President for McGraw-Hill's Energy Sciences Group, and in 1988, I became the
15 Executive Vice President, Trading Services, for McGraw-Hill's Financial Services unit. In
16 1990, I was appointed Executive Vice President, Operations, for McGraw-Hill's Standard &
17 Poor's Financial Information Group. From 1993 to 1994, I served as Executive Vice President
18 for the New Ventures unit of McGraw-Hill. Prior to joining McGraw-Hill, I held various
19 management posts at Equitable Life Assurance Society and marketing positions at Burroughs
20 Corporation and Tymshare, Inc. I hold an M.B.A. in corporate finance from New York
21 University and a bachelor's degree in mathematics from St. John's University.

II. Purpose Of Testimony

The primary purpose of my testimony is to urge that the rates proposed for Periodicals Regular mail in this proceeding are the maximum appropriate rates under the circumstances presented. In this regard, McGraw-Hill -- an active independent participant in postal ratemaking proceedings for nearly two decades -- is part of a broad coalition of Periodicals mailers and their principal trade associations (both MPA and ABP). McGraw-Hill embraces this industry-wide position for reasons that extend beyond the unique educational, cultural, scientific and informational ("ESCI") value of Periodicals mail, and include:

- Serious questions as to whether more than \$90 million in mail processing costs (and also significant transportation costs) have been misallocated to Periodicals mail -- reflecting supposed cost increases that are highly anomalous in view of the increasing worksharing by Periodicals mailers;
- The level of service accorded to Periodicals mail, which in our experience continued to deteriorate in the past two years to levels well below the longstanding delivery commitments made by the Postal Service to all Periodicals mailers -- and which is a contributing factor in McGraw-Hill's accelerating use of electronic alternatives to the Postal Service for the delivery of certain publications, including *Business Week*; and
- The significant impact of further increases in Periodicals rates -- particularly for high-editorial publications -- in view of:
 - the substantial rate increases imposed on most periodicals in 1996 as a result of the MC95-1 reclassification case, which came on top of the 13.9 percent increase imposed on Periodicals Regular mail in 1995 as a result of the R94-1 rate case; and
 - a 7.5 percent increase in the price of paper in 1997, and a further 10 percent cumulative increase in paper prices projected for 1998.

In past ratemaking and reclassification proceedings, McGraw-Hill has consistently provided strong support for appropriate recognition of ESCI values in postal rates, rate design, and classifications. While McGraw-Hill does not seek to alter the Periodicals Regular rate

1 design proposed in this case, we do express our concern that the proposed disproportionate
2 increase in the editorial pound charge should not become a precedent for the future that would
3 undermine the historical commitment (embodied in the Postal Reorganization Act) to promote
4 the widespread dissemination of editorial content through the mail.

6 **III. McGraw-Hill's Interest In This Proceeding**

7 McGraw-Hill is a volume user of all classes of mail service for the distribution of
8 magazines, newsletters, newspapers, books, and other materials. In 1996, McGraw-Hill
9 incurred nearly \$70 million in postage for domestic and international mail service rendered by
10 the Postal Service. Of that total, approximately \$21 million went for domestic Periodicals
11 Regular mail, approximately \$23 million for domestic First-Class mail, approximately \$14
12 million for domestic Standard B mail, and approximately \$10 million for domestic Standard A
13 mail. While McGraw-Hill has a vital interest in postal rates and classifications generally, our
14 focus in this case is upon Periodicals Regular mail.

15 The more than 170 diverse publications that McGraw-Hill mails at Periodicals Regular
16 rates are in many respects representative of Periodicals Regular mail as a whole. Our
17 publications cover a wide range of subjects in the fields of business, finance, science,
18 technology, healthcare, and construction. The diverse mailing characteristics of our titles reflect
19 the diversity of their readerships in terms of interests, circulation, and geographic dispersion.
20 Domestic mailed circulation per issue presently ranges from a high of about 875,000 copies for
21 *Business Week* to a few hundred subscribers for certain financial reports published by McGraw-
22 Hill's Standard & Poor's Financial Services unit. Average editorial percentage ranges from 100

1 percent for our 16 Standard & Poor's publications to about 38 percent for *LAN Times*. Our
2 publications span the gamut from dailies to quarterlies in terms of frequency of publication.¹

3 McGraw-Hill is also a leading provider of electronic information services. These include
4 electronic publishing through more than 70 Web sites and other on-line services, accessed via
5 the Internet and services such as America Online that provide telecommunications links between
6 computers, as well as CD-ROM titles. As I discuss later in my testimony, electronic delivery
7 of publications is growing both as a supplement and to some extent as an alternative to hard-
8 copy delivery by the Postal Service.

9 **IV. The Rates Proposed For Periodicals Regular Mail Are The Maximum Appropriate**
10 **Rates Under The Circumstances.**

11
12 **A. The Costs Attributed To Periodicals Regular Mail Appear To Be Seriously**
13 **Overstated.**

14
15 **1. Mail Processing Labor Costs**
16

17 The Postal Service itself has recognized that one of the reasons why increases in
18 Periodicals rates should be constrained is the persisting issue as to the cause and validity of
19 anomalous allocations of mail processing labor costs to Periodicals mail.² I am gratified to
20 learn that the Postal Service is finally undertaking to investigate these questions,³ as Periodicals
21 mailers have urged since 1990 and as this Commission itself urged in 1992. My hope and

22 ¹For profiles of McGraw-Hill publications as of September 1995, see MHC-LR-1 filed in Docket No. MC95-1.
23 McGraw-Hill has since sold *Datapro* and *Shephard's* publications and has ceased publication of *Open Computing*,
24 while launching or acquiring several new publications (*e.g.*, *Electrical Power International*, *Healthcare Informatics*,
25 *Hospital Practice*, *Infocare*, *Information Technologies for Utilities*, *Overhaul and Maintenance*, and *tele.com*).

26 ²See direct testimony of Postal Service witness O'Hara (USPS-T-30), page 30 lines 11-22, page 31 line 22
27 through page 32 line 4. See also direct testimony of Postal Service witness Moden (USPS-T-4), page 11 line 21
28 through page 12 line 2.

29 ³See Tr. 19-B/8820, 8823-24 (response of the Postal Service to interrogatories MPA/USPS-1, 3).

1 expectation is that the investigation will be thorough and objective -- and will result in a
2 significantly lower allocation of mail processing costs to Periodicals mail, fully reflecting mailer
3 worksharing efforts. Commendably, the Postal Service appears to have recognized that
4 possibility by appropriately constraining the rate increases proposed for Periodicals mail in this
5 case.

6 I am certainly no expert on mail cost issues -- regarding which Periodicals mailers are
7 presenting the testimony of witnesses Cohen and Stralberg, among other coalition witnesses.
8 As a business executive, however, I am struck by several basic facts that apparently are not
9 disputed:

- 10 ● According to the Postal Service's cost measurement systems (which are
11 challenged by witnesses Cohen and Stralberg), since 1986, mail processing labor
12 costs per mail piece have supposedly risen much faster for Periodicals mail than
13 for any other class of mail;⁴
- 14 ● According to those measurement systems, since 1986, labor costs per piece for
15 processing Periodicals mail have supposedly risen much faster than Postal Service
16 wage rates;⁵
- 17 ● Operational realities indicate that less -- rather than more -- labor has been
18 required to process Periodicals mail efficiently during this period:
 - 19 ●● Periodicals mailers have significantly increased their worksharing efforts,
20 *e.g.*, presortation, barcoding, palletization, and drop-shipping, in order to
21 reduce the cost to the Postal Service of processing Periodicals mail;⁶ and
 - 22 ●● The processing of Periodicals mail has become increasingly mechanized
23 -- although for some unexplained reason the productivity of both

29 ⁴See testimony of witness Little (MPA-T-1), pp. 2-4.

30 ⁵See *id.* at 4-5.

31 ⁶See *id.* at 5.

1 mechanized and manual processing of Periodicals mail (pieces handled per
2 manhour) has steadily declined.⁷

3 During my tenure as President of McGraw-Hill's Information Services Group, the publications
4 that I manage have steadily increased the percentage of their mailed circulation that is presorted
5 (to 3/5 digit or finer), barcoded, palletized, and drop-shipped. Like most Periodicals mailers,
6 we continually strive to do everything we can to reduce our postage costs, and facilitate timely
7 delivery of our publications, through worksharing that reduces the Postal Service's costs and the
8 time needed to process and transport our Periodicals mail.

9 In this light, it seems evident that something is very wrong with the Postal Service's
10 allocation of mail processing costs to Periodicals mail, and with the methodology underlying that
11 allocation. It is for this reason that Periodicals mailers have put aside their rate design
12 differences and forged an unprecedented united front in this case. McGraw-Hill urges the
13 Commission to consider very carefully the testimony of witnesses Cohen and Stralberg that more
14 than \$90 million in mail processing costs has been misallocated to Periodicals mail. Further,
15 Periodicals mailers should not bear the brunt of any inability on the part of the Postal Service
16 to tailor its workforce to the new era of increasingly automated mail processing, which has
17 primarily benefitted First-Class mail. If institutional considerations have led the Postal Service
18 to retain personnel -- so-called "automation refugees" -- who would otherwise be displaced by
19 automation, the resultant cost burden should be assigned to institutional costs rather than imposed
20 disproportionately upon Periodicals mailers.

21 ⁷See Tr. 11/5565-66; testimony of witness Stralberg (TW-T-1) at 30.

2. Purchased Highway Transportation Costs

I understand that while about \$137.7 million in purchased highway transportation costs was attributed to Periodicals Regular mail in 1995, the Postal Service now attributes some \$180 million of such transportation costs to Periodicals Regular mail for the year 1998.⁸ The Postal Service has acknowledged that the extent of the increase in this cost allocation is unusual, but has been unable to provide any satisfactory explanation, other than to suggest that it may reflect an anomalous "variation in the statistical estimates."⁹

This question may in turn relate to a broader cost allocation issue -- most of the cubic volume in the purchased highway transportation system is chronically unutilized, and the costs of the unutilized capacity are allocated to mail that does not necessarily cause that cost.¹⁰ We believe that this is arbitrary and unfair. As I testified in MC95-1,¹¹ the costs of unutilized capacity fall disproportionately on those mailers that have only limited alternatives to transportation by the Postal Service. The Commission should review the issue of whether those costs should be treated as "institutional" rather than attributable, either because they are caused by unique statutory obligations of the Postal Service (*e.g.*, to provide universal service) or because they are, at least to a considerable degree, not volume-variable (a question that the Postal Service has not apparently studied).¹²

⁸Tr. 13/7189 (response to MH/USPS-T2-1 (redirected to witness Patelunas)).

⁹Tr. 19-B/8744 (response to MH/USPS-1(b)).

¹⁰See Tr. 7/3520-22.

¹¹Tr. 14/5994-95.

¹²See Tr. 7/3832-33.

1 Even if these issues cannot be fully resolved in this proceeding, the questionable
2 allocation of transportation costs to Periodicals Regular mail in this case is an additional reason
3 for limiting rate increases for such mail in this case to those proposed by the Postal Service.

4
5 **B. Deficiencies In The Service Provided For Periodicals Mail -- Which Are A**
6 **Contributing Factor In The Growth Of Electronic Delivery -- Should Further**
7 **Constrain Postal Rates For Periodicals.**

8
9 **1. Service Has Recently Deteriorated To Unacceptable Levels.**

10 McGraw-Hill participated in the now-defunct Price Waterhouse EX2C Mail Monitoring
11 Program, which was established by the Postal Service in 1993 in order to measure systematically
12 the extent to which it did or did not meet its delivery commitments to Periodicals mailers. The
13 Postal Service had discontinued reporting any EX2C data by the time I assumed responsibility
14 for McGraw-Hill's core publications early in 1995. However, McGraw-Hill contracted with
15 Price Waterhouse to obtain EX2C data for the five McGraw-Hill publications that participated
16 in the program -- *Business Week*, *Aviation Week*, *Engineering News Record* (another weekly),
17 *BYTE* and *Chemical Engineering* (both monthlies). We were very disappointed and disturbed
18 by the data.

19 For example, the EX2C data for January through August 1996 indicated that on average,
20 our weeklies were delivered late more than 50 percent of the time, and our monthlies were
21 delivered late almost 75 percent of the time. Attached as Exhibit 1 hereto is an October 11,
22 1996 letter from Marilyn Sacrestano, Director of The McGraw-Hill Companies' Corporate
23 Distribution operations, to our national account representative at the Postal Service, attaching
24 that EX2C data and stressing that "this delivery pattern is unacceptable." Despite those
25 disturbing delivery performance results, the Postal Service canceled the EX2C program less than

1 one month later, purportedly because it did not generate "data that could be used effectively by
2 Postal Service field and headquarters management to improve delivery performance."¹³
3 Needless to say, McGraw-Hill finds this very troubling. We are likewise disheartened by the
4 fact that the Postal Service apparently has not retained EX2C data, or any other data relating to
5 the extent to which Periodicals (second-class) service standards have or have not been met since
6 January 1994.¹⁴

7 The deficiencies in the service accorded to Periodicals mailers have not abated. Attached
8 hereto as Exhibit 2 is the May 2, 1997 letter from Thomas Tully, General Manager of The
9 McGraw-Hill Companies' Postal Affairs and Compliance and National Chairman of the industry-
10 wide Periodicals Focus Group, to the Postal Service's Senior Vice-President for Marketing. Mr.
11 Tully emphasized that he and the other members of Periodicals Focus Group "are literally being
12 besieged with delivery complaints," that Periodicals mailers "are frantically complaining about
13 extremely poor delivery and service failures," that it has become "almost impossible for
14 [Periodicals mailers] to consistently meet the customer's needs for reasonable delivery," and that
15 the Postal Service had nevertheless not been responsive to the problem. Like other Periodicals
16 mailers, McGraw-Hill has sought to work collaboratively with the Postal Service in this regard.

17 In response to industry prodding, the Postal Service appears to have recognized the
18 magnitude of the problem. Last summer, it formed (as part of the Mailers Technical Advisory

19 ¹³Tr. 19-B/8758 (response to MH-USPS-T30-2 (b) (redirected to the Postal Service)).

20 ¹⁴See *id.* (response to MH/USPS-T30-2(c) and (d) (redirected to the Postal Service)). According to the Postal
21 Service, the only exception is an EX2C summary report for the third postal quarter of 1994. *Id.* Among other
22 things, that report indicates that the service deficiency is greatest for Periodicals mailers that make the most use of
23 Postal Service transportation -- cross-country service averaged 13 days, despite the Postal Service's seven-day
24 commitment for cross-country service. *Id.* at 8759.

1 Committee) a joint Industry/Postal Service Periodicals Service Improvement work group, with
2 McGraw-Hill's Mr. Tully leading the industry's participation.¹⁵ The mission of this joint task
3 force is to "correct the serious delivery problems plaguing Periodicals."¹⁵ A consensus has
4 been reached among task force members that a satisfactory solution can only be reached through
5 comprehensive and long-term efforts on the part of all concerned, that support at the top levels
6 of the Postal Service is essential, and that despite the demise of the EX2C program, a way must
7 be found to measure Postal Service performance in the delivery of Periodicals mail, and to
8 redress shortcomings.¹⁷

9 McGraw-Hill, along with other Periodicals mailers, will continue to do everything it can
10 to help the Postal Service overcome those serious service shortcomings, which can detract
11 significantly from the value of our publications to our customers. In the meantime, however,
12 the unacceptable level of service that has plagued Periodicals mail in recent years is further
13 reason for constraining increases in Periodicals postal rates.

14 **2. The Unacceptable Level Of Mail Service For Periodicals Is A Factor**
15 **Contributing To The Growth Of Electronic Delivery Of Periodicals.**

16 McGraw-Hill plans to offer subscriptions to *Business Week Online* (accessible via
17 America Online and the Internet) beginning in January 1998. *Business Week Online* will
18 combine all of the editorial content from both *Business Week* and *Business Week International*,
19 as well as additional coverage. An advantage of electronic delivery is that it provides assurance

20 ¹⁵See Tr. 19-B/8910-15 (response to NNA/USPS-T30-4 (redirected to the Postal Service)).

21 ¹⁶*Id.* at 8912.

22 ¹⁷See *id.* at 8911-15.

1 that *Business Week's* market-moving stories will be distributed quickly and evenly, with the
2 result that fewer of our subscribers will be dissatisfied due to untimely delivery.

3 The extent to which subscriptions to *Business Week Online* may displace subscriptions
4 to *Business Week* -- thus displacing delivery of *Business Week* by the Postal Service -- remains
5 to be seen. However, an increasing number of subscribers to *Business Week* (as well as an
6 increasing number of subscribers to other periodicals) will have an attractive electronic
7 alternative, to the extent they are dissatisfied with tardy and inconsistent delivery by the Postal
8 Service.

9 Moreover, the economics of electronic publishing appear very promising. Electronic
10 publishing avoids printing and paper costs, as well as postage. Further, to the extent that
11 electronic publishing is amenable to electronic marketing, postage savings may include the
12 considerable costs of direct mail marketing. While I cannot predict precisely how -- or how fast
13 -- the future of electronic publishing will unfold, it is clear that the Postal Service will face
14 increasing competition for the delivery of periodicals.¹⁸

15 Indeed, McGraw-Hill already has experience with electronic delivery replacing mail
16 delivery of publications. This is rapidly occurring in the case of McGraw-Hill's F.W. Dodge
17 publications, which provide current information about construction projects. The recently
18 launched electronic version of the daily *Dodge Reports* has experienced exponential growth in
19 subscribers, and is already displacing an estimated two million annual pieces of First-Class mail.
20 As a result, some Dodge products will become available solely through electronic distribution,

21 ¹⁸The potential for such competition, which is now materializing and growing, had been pointed out by other
22 witnesses in recent proceedings before the Commission. In Docket No. MC95-1, see Tr. 26/12361-62 (ABP witness
23 Kenealy). In Docket No. R94-1, see USPS-T-2, pp. 130-31 (witness Tolley).

1 displacing an annual one million pieces of Periodicals mail. The conversion has clearly been
2 accelerated by chronic complaints about poor mail service for these time-sensitive publications.
3 Unconstrained postal rate increases for Periodicals would further reduce the competitiveness of
4 Postal Service delivery of Periodicals mail.

5 **C. The Proposed Rate Increases For Periodicals Mail Will Have A Significant Impact --**
6 **Particularly Upon High-Editorial Publications.**

7 Like most Periodicals mailers, McGraw-Hill has already incurred substantial postal rate
8 increases in 1996 as a result of the MC95-1 reclassification case -- on top of the average 13.9
9 percent postal rate increase for Periodicals Regular mail in 1995. McGraw-Hill publications are
10 generally highly sensitive to postal rate increases. Many of our publications cannot readily pass
11 along postal rate increases to subscribers or advertisers in today's competitive markets. As a
12 result, those publications may reduce their trim size and paper weight, as *Business Week* has
13 done four times in the last seven years. Postal rate increases in 1998 will be particularly
14 difficult to absorb in view of the 7.5 percent increase in the price of paper in July 1997, the
15 projected 5 percent increase in paper prices in January 1998, and a further 5 percent increase
16 in paper prices projected for July 1998.

17 High-editorial publications tend to be particularly vulnerable to postal rate increases as
18 they have fewer options for recoupment. We note with concern that the proposed 8 percent
19 increase in the editorial pound charge far exceeds the average 3.5 percent increase for Regular
20 Periodicals mail. While we do not seek to alter the proposed rates in this case, we nevertheless
21 strongly believe that the proposed decoupling of the editorial pound charge from the zoned
22 advertising pound charges in the unique circumstances of this case should not serve as a
23 precedent for the future that would undermine the historical commitment -- grounded in the

1 Postal Reorganization Act -- to encourage the widespread dissemination of editorial content
2 through the mail. In view of the Postal Service's past efforts to dilute the importance of ECSI
3 values in designing Periodicals rates, the Commission should reaffirm in this case the vital role
4 of ECSI values in postal ratemaking.

5 **V. CONCLUSION**

6 For all of the foregoing reasons, we urge that the rates proposed by the Postal Service
7 for Periodicals Regular mail in this case are the maximum appropriate rates under the
8 circumstances presented.


9

New York, NY 10020-1098
Tel 212 512 2205
Fax 212 512 6558

Mark A. Sacristano
Director, Distribution
Operations
Corporate Distribution

Exhibit 1

October 11, 1996

The McGraw-Hill Companies 

✓ **Mr. Vito Fortuna**
United States Postal Service
142-02 20th Avenue
Flushing, NY 11351

Dear Vito:

As you know, the USPS is discontinuing the Price Waterhouse EX2C Mail Monitoring Program in November 1996. We are aware of the new "Advance" tracking program in which we hope to participate. The USPS also informed us that no reports would be issued on the EX2C program, as was originally planned.

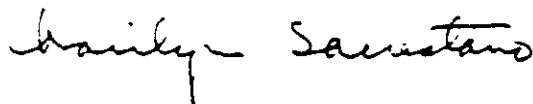
In an effort to work with the USPS to improve delivery to the projected delivery standards for the Periodicals mail class (formerly Second Class), we have contracted with Price Waterhouse to obtain the results of EX2C monitoring for our participating publications. The disappointing results are summarized below with details on the attached sheets:

Business Week	46% - 72% on time
Aviation Week	15% - 58% on time
Engineering News Record (Weekly)	24% - 74% on time
Byte (Monthly)	15% - 44% on time
Chemical Engineering (Monthly)	11% - 27% on time

Vito, this delivery pattern is unacceptable and we must meet to develop an action plan to improve delivery. Copies of these summary results will be disseminated to the regional and national 2C Focus Groups so that we can work with the USPS and the other industry participants to develop strategies and priorities for improvement.

If you have suggestions for other ways that we can work together to achieve improvements, I look forward to discussing them when we meet. Please call me to schedule a meeting.

Sincerely,



cc: ✓ E. Bradley, M. Persiani, T. Tully, Dist. Staff
✓ Circulation Managers and 2C Focus Groups per attached list

✓ K. Paulock 10-16-96

Circulation Managers

Aviation Week - Paul Duggan
Business Week - Steve Aster
Byte - Lynn Lagasse
Chemical Engineering - Walter Nohstadt
Engineering News Record - Eileen Kruimer

Regional 2C Focus Groups

Allegheny/Atlantic 2C Focus Group

Mr. Felix Smith
Manager Customer Service Support
USPS
5315 Campbells Run Road
Pittsburgh, PA 15205-7020

Ms. Judy Walker
Manager Customer Service Support
USPS
2800 Shirlington Road
Arlington, VA 22206-7000

Pacific/Western 2C Focus Group

Mr. Darrel Dietz
Manager Customer Service Support
USPS
850 Cherry Avenue
San Mateo, CA 94099-4100

Ruth Brooks
Manager Customer Service Support
USPS
1745 Stout St. STE 301
Denver, CO 80299-7000

NY Metro/North East 2C Focus Group

Charles Mancuso
Manager Customer Service Support
USPS
142-02 20th Avenue
Flushing, NY 11351-0200

Mr. John Basile
Manager Customer Service Support-USPS
6 Griffin Road N.
Windsor, CT 06006-7020

National 2C Focus Group

Mr. Robert L. Kooker
National Accounts
USPS
P.O. Box 11466
New Brunswick, NJ 08906-1466

Regional 2C Focus Groups

Great Lakes/Midwest 2C Focus Group

Mr. Wayne Gardner
Manager Customer Service Support
USPS
10750 W. Grand Avenue
Franklin Park, IL 60131-2217

Ms. Karen Loggins - Great Lakes/Midwest
Manager Customer Service Support
P.O. Box 66602
St. Louis, MO 63166-6602

South East /South West 2C Focus Group

Mr. George Hall
Manager Customer Service Support
USPS
225 N. Humphries Blvd
Memphis, TN 38166-0870

Ms. Betty Rowe
Manager Customer Service Support
USPS
P.O. Box 225459
Dallas, TX 75222-5459

AVIATION WEEK

<u>ISSUE DATE</u>	<u>TOTAL % ON-TIME</u>	<u>TOTAL % LATE</u>
01/01/96	36.0	64.0
01/08/96	15.0	85.0
01/15/96	44.6	55.4
01/22/96	37.7	62.3
01/29/96	33.1	66.9
02/05/96	19.0	81.0
02/12/96	24.3	75.7
02/19/96	49.7	50.3
02/26/96	33.6	66.4
03/04/96	30.6	69.4
03/11/96	35.8	64.2
03/18/96	39.2	60.8
03/25/96	43.6	56.4
04/01/96	34.0	66.0
04/08/96	33.5	66.5
04/15/96	45.6	54.4
04/22/96	23.4	76.6
04/29/96	51.5	48.5
05/06/96	37.4	62.6
05/13/96	37.1	62.9
05/20/96	50.8	49.2
05/27/96	57.9	42.1
06/03/96	41.5	58.5
06/10/96	34.7	65.3
06/17/96	43.5	56.5
06/24/96	50.1	49.9
07/01/96	35.7	64.3
07/08/96	47.7	52.3
07/15/96	50.2	49.8
07/22/96	43.1	56.9
07/29/96	56.0	44.0
08/05/96	50.7	49.3
08/12/96	30.4	69.6
08/19/96	37.4	62.6
08/26/96	45.3	54.7

BUSINESS WEEK

<u>ISSUE DATE</u>	<u>TOTAL % ON-TIME</u>	<u>TOTAL % LATE</u>
01/08/96	46.6	53.4
01/15/96	55.8	44.2
01/22/96	53.9	46.1
01/29/96	50.2	49.8
02/05/96	58.7	41.3
02/12/96	54.4	45.6
02/19/96	52.3	47.7
02/26/96	58.9	41.1
03/04/96	58.0	42.0
03/11/96	71.8	28.2
03/18/96	53.1	46.9
03/25/96	50.2	49.8
04/01/96	60.4	39.6
04/08/96	61.5	38.5
04/15/96	55.2	44.8
04/22/96	61.8	38.2
04/29/96	58.8	41.2
05/06/96	61.1	38.9
05/13/96	57.6	42.4
05/20/96	60.1	39.9
05/27/96	64.1	35.9
06/03/96	66.9	33.1
06/10/96	59.1	40.9
06/17/96	63.8	36.2
06/24/96	54.4	45.6
07/01/96	66.3	33.7
07/15/96	72.4	27.6
07/29/96	63.3	36.7

BYTE

<u>ISSUE DATE</u>	<u>TOTAL % ON - TIME</u>	<u>TOTAL % LATE</u>
01/01/96	20.7	79.3
02/01/96	38.0	62.0
03/01/96	30.4	69.6
04/01/96	33.0	67.0
05/01/96	44.5	55.5
06/01/96	14.9	85.1
07/01/96	20.5	79.5
08/01/96	44.2	55.8

CHEMICAL ENGINEERING


<u>ISSUE DATE</u>	<u>TOTAL % ON -TIME</u>	<u>TOTAL % LATE</u>
01/01/96	20.6	79.4
02/01/96	26.7	73.3
03/01/96	11.4	88.6
04/01/96	15.1	84.9
05/01/96	24.4	75.6
06/01/96	24.5	75.5
07/01/96	13.6	86.4

ENGINEERING NEWS RECORD

<u>ISSUE DATE</u>	<u>TOTAL % ON-TIME</u>	<u>TOTAL % LATE</u>
01/01/96	66.4	33.6
01/15/96	32.8	67.2
01/22/96	24.6	75.4
01/29/96	50.8	49.2
02/05/96	74.2	25.8
02/12/96	38.3	61.7
02/19/96	50.0	50.0
02/26/96	64.8	35.2
03/04/96	51.3	48.7
03/11/96	44.9	55.1
03/18/96	19.2	80.8
03/25/96	51.4	48.6
04/01/96	48.2	51.8
04/08/96	55.3	44.7
04/15/96	53.2	46.8
04/22/96	43.8	56.2
04/29/96	36.0	64.0
05/06/96	54.0	46.0
05/13/96	59.9	40.1
05/20/96	43.2	56.8
05/27/96	58.8	41.2
06/03/96	59.7	40.3
06/10/96	41.3	58.7
06/17/96	47.6	52.4
06/24/96	43.8	56.2
08/05/96	52.3	47.7
08/12/96	58.2	41.8
08/19/96	48.8	51.2
08/26/96	43.2	56.8

1221 Avenue of the Americas
New York, NY 10020-1095
Tel 212 512 2188
Fax 212 512 2160

Thomas W. Tully
General Manager
Post Affairs and Compliance
Corporate Manufacturing


The McGraw-Hill Companies

May 2, 1997

Mr. Allen Kane
Senior Vice President
Chief Marketing Office
THE UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza
Washington, D.C. 20260

Dear Allen:

The Periodicals Focus Group, serving the Postal Services ten (10) areas, along with myself are literally being besieged with delivery complaints.

In an effort to address these problems, the attached fax, which contains the agenda for the Periodicals Focus Group Business Session (Monday, May 19th at 11:45am) at the New Orleans Postal Forum, was sent to the five (5) Industry and the ten (10) Postal Co-Chairs of the Periodicals Focus Group, of which I serve as the National Industry Chair.

This is the only session at the Forum expressly for Periodicals. Our Program will primarily center on Delivery issues. In an attempt to assist the Periodical mailers who are frantically complaining about extremely poor delivery and service failures, we have established a service panel that will consist solely of United States Postal Service personnel, to try to address the needs of the Group.

It would certainly help if you, Nick Barranka and John Wargo could be in attendance. I fully understand that there are considerable demands on your time. However, many mailers feel, and perhaps rightfully so, that cutbacks occur in processing, transportation, staffing and plant operating plans each time we near a Rate Case Filing. This is compounded by the lack of meaningful information received from the Postal Service. We get responses not answers. It has become almost impossible for us to consistently meet the customer's needs for reasonable delivery. Mailers believe the United States Postal Service performance is hurting the business.

We believe the Business Session will be a new attempt to establish a process for improving Delivery, and resolving complaints. With the demise of Press, and the ineffectiveness of the Consumer Complaint Form, we need a mechanism to address these issues, openly and forthrightly.

We will work with you, as a group or individually. We believe at least Nick and John should be involved. Poor Delivery was almost a key issue at the last March MTAC meeting, we were asked to hold off. Delivery has not improved.

Please help us help ourselves.



Thomas W. Tully
NATIONAL INDUSTRY CHAIR
PERIODICALS FOCUS GROUP



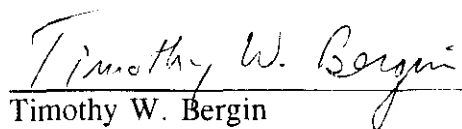
TWT/trb

cc: Nick Barranka, Vice President/Operations Support (U.S.P.S.)
John Wargo, Vice President /Marketing Customer Service (U.S.P.S.)
Robert L. Kooker (U.S.P.S.)
Periodicals Focus Group
Rita Cohen, Magazine Publishers Association
Steve Feldman, American Business Press

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

Washington, D.C.
December 30, 1997


Timothy W. Bergin